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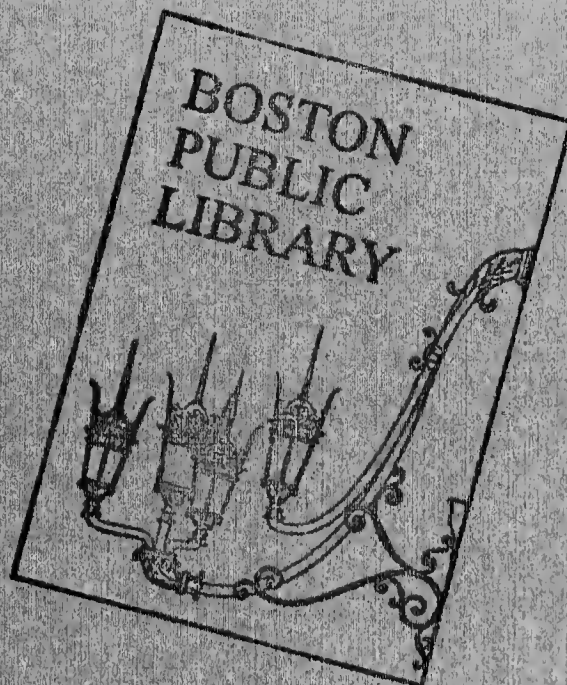
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1991-1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1991



BOSTON REDEVELOPMENT AUTHORITY
COMBINED FINANCIAL STATEMENTS
for the year ended September 30, 1991

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1991 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1991 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
March 19, 1992, except for
Note H, as to which the date
is August 24, 1992

BOSTON REDEVELOPMENT AUTHORITY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1991

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups		Interfund Eliminations	Combined Total (Memorandum Only)
				General Fixed Assets	General Long-Term Obligations		
Investments (Note C)	\$ 777,230	\$ 3,549,357	\$ 1,474,518				\$ 5,801,105
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of \$386,594)	27,330	74,438	452,302				554,070
Billed and unbilled amounts due from federal, state and city (Notes F and K)	15,199	108,697	1,122,234				1,246,130
Accounts receivable disposition of development sites (Note N)			26,341,021				26,341,021
Due from other funds	5,459,893	566,697	286,919			\$(6,313,509)	
Notes receivable/Housing Development (Notes G and O)		6,490,875	612,784				7,103,659
Notes receivable/UDAG and IDAG (Note G)		24,258,029					24,258,029
Property held for development less reserves (Note H)			9,900,000				9,900,000
Fixed assets, net (Note I)				\$384,893			384,893
Other assets	70,175		29,704				99,879
Amounts to be provided for retirement of general long-term obligations					\$1,856,516		1,856,516
Total assets	\$6,349,827	\$35,048,093	\$42,337,633	\$384,893	\$1,856,516	\$(6,313,509)	\$79,663,453
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	2,131,771						2,131,771
Advances on contracts			839,853				839,853
Due to other funds	559,277	658,384	5,095,848			(6,313,509)	-
Retainage		4,205	291,526				295,731
Deposits (Note D)	192,547		95,983				288,530
Obligations under capitalized leases (Note J)					252,628		252,628
Vacation and sick leave (Note L)					1,603,888		1,603,888
Accrued liabilities	58,294		1,085,061				1,143,355
Other (Note K)			527,700				527,700
Deferred revenue (Note N)			16,438,316				16,438,316
Due to designated entities	62	34,385,504	225,270				34,610,836
Total liabilities	2,941,951	35,048,093	34,499,557	-	1,856,516	(6,313,509)	68,032,608
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				384,893			384,893
Fund balances:							
Designated for vacation and sick leave (Note L)	1,603,888						1,603,888
Designated for obligations under capitalized leases (Note J)	252,569						252,569
Designated for Neighborhood Housing Fund (Note O)			248,016				248,016
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for City of Boston, Public Works Department (Note O)			450,000				450,000
Designated for projects			5,021,909				5,021,909
Undesignated	1,551,419						1,551,419
Total other credit and fund balances	3,407,876	-	7,838,076	384,893	-	-	11,630,845
Total liabilities, other credit and fund balances	\$6,349,827	\$35,048,093	\$42,337,633	\$384,893	\$1,856,516	\$(6,313,509)	\$79,663,453

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES
AND CHANGES IN FUND BALANCES

for the year ended September 30, 1991

	<u>General Fund</u>	<u>Project Fund</u>	<u>Combined Total (Memorandum Only)</u>
Revenues:			
Federal, state and city capital grants		\$ 3,322,410	\$ 3,322,410
Proceeds from disposition of development sites (Notes B and F)		17,810,400	17,810,400
Rental income (Note B)		1,525,189	1,525,189
Interest income	\$ 66,027	555,380	621,407
Other	<u>8,000</u>	<u>190,078</u>	<u>198,078</u>
Total revenues	<u>74,027</u>	<u>23,403,457</u>	<u>23,477,484</u>
Expenditures:			
Personnel		9,624,833	9,624,833
Fringe		3,131,049	3,131,049
Capital outlays	16,032	3,847,024	3,863,056
Supplies and services	21,128	2,847,122	2,868,250
Contractual services	1,599	1,931,539	1,933,138
Occupancy costs		1,323,681	1,323,681
Restructuring costs (Note Q)		490,087	490,087
Charge-offs for notes receivable/Housing Developments (Note G)		840,548	840,548
Interest expense - Custom House (Note H)		1,050,000	1,050,000
Provision for valuation of Custom House development project (Note H)		<u>4,472,250</u>	<u>4,472,250</u>
Total expenditures	<u>38,759</u>	<u>29,558,133</u>	<u>29,596,892</u>
Revenue over/(under) expenditures before other charges	35,268	(6,154,676)	(6,119,408)
Other charges (Note O):			
City of Boston - Public Works Dept.		<u>(450,000)</u>	<u>(450,000)</u>
Total other charges	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>
Total revenue over/(under) expenditures and other charges	35,268	(6,604,676)	(6,569,408)
Fund balances, September 30, 1990	<u>3,372,608</u>	<u>14,442,752</u>	<u>17,815,360</u>
Fund balances, September 30, 1991	<u>\$3,407,876</u>	<u>\$ 7,838,076</u>	<u>\$11,245,952</u>

The accompanying notes are an integral part
of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1991

	Balance, September 30, 1990	Additions	Deductions	Balance, September 30, 1991
ASSETS				
Investments	\$ 3,873,991	\$11,600,543	\$11,925,177	\$ 3,549,357
Accounts receivable	74,438	201,170	201,170	74,438
Billed amounts due from federal, state and city	1,400,000	2,096,347	3,387,650	108,697
Unbilled amounts due from federal, state and city	52	304,653	304,705	-
Notes receivable	31,122,966	940,522	1,314,584	30,748,904
Other assets	974,811		974,811	-
Due from other funds	339,763	470,826	243,892	566,697
Total assets	<u>\$37,786,021</u>	<u>\$15,614,061</u>	<u>\$18,351,989</u>	<u>\$35,048,093</u>
LIABILITIES				
Due to other funds	2,795,016	3,046,383	5,183,015	658,384
Retainage	12,929	46,123	54,847	4,205
Due to designated entities	34,978,076	1,493,630	2,086,202	34,385,504
Total liabilities	<u>\$37,786,021</u>	<u>\$ 4,586,136</u>	<u>\$ 7,324,064</u>	<u>\$35,048,093</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project Funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Rental income received on long-term leases of approximately \$3,700,000 is included as Proceeds from disposition of development sites. Rental income from Authority owned and operated property is reflected as Rental income.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1991 was \$7,915,465.

At September 30, 1991, \$6,952,735 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and \$966,521 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash of \$2,118,151 (see Note K), as of September 30, 1991 consist of:

<u>Type</u>	<u>Amortized Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$2,243,356	Various	
Certificates of Deposit	1,583,241	5.25% to 6.2%	10/14/91 to 12/30/91
U.S. Government Treasury			
Bills	283,925	5.2%	10/10/91
Corporate Debt Securities	507,426	8.9%	11/1/00
U.S. Government Agency	<u>3,263,702</u>	6.0% to 8.5%	10/31/91 to 5/15/94
Investments at cost	7,881,650		
Accrued interest receivable	<u>37,606</u>		
	<u><u>\$7,919,256</u></u>		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1991 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1991, the City provided financial resources to the Authority, as follows:

(in thousands)

Urban Development Action Grants (UDAG)	\$ 767
City capital appropriations	3,567
Housing Development Grants (HODAG)	86
Community Development Action Grants (CDAG)	436
EPA grants	218
Other federal, state and city grants	<u>310</u>
	<u>\$5,384</u>

Certain of the office space of the Authority is provided by the City at no charge.

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1991 is as follows:

	<u>General</u>	<u>Agency</u>	<u>Project</u>
Billed amounts due from federal, state and city	\$15,199	\$102,197	\$465,599
Unbilled amounts due from federal, state and city		6,500	332,635
Unbilled court award reimbursements due from city			<u>324,000</u>
	<u>\$15,199</u>	<u>\$108,697</u>	<u>\$1,122,234</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of \$99,777 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1991.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City \$324,000 as of September 30, 1991, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

On September 26, 1991 the Authority authorized the execution of a Land Disposition Agreement and Deed conveying of Parcel D-10 located in the Urban Renewal Waterfront Project R-77. The disposition price of \$11,700,000 which is reflected as revenue in fiscal 1991, has been collected by the Authority.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects. In fiscal 1991, the Authority charged off certain housing development notes receivable.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for \$11,000,000. As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of \$9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of interest only in quarterly installments of \$272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of \$650,150 for the period January 1993 to October 1997. The Authority capitalized interest incurred of \$3,239,775 through September 30, 1990. In fiscal 1991, current year interest of \$1,050,000 has been charged to project fund operations.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Effective July 9, 1992, the General Services Administration and the Boston Redevelopment Authority agreed to restructure the debt. A new note shall be executed by the Boston Redevelopment Authority in favor of the General Service Administration. The note shall be collateralized by a mortgage on the subject real estate and shall be non-recourse to the Boston Redevelopment Authority. In addition, the note and mortgage will be served solely by the subject real estate as improved and shall be made on pari passu (equal basis) with the redevelopment financing for the Custom House Project.

The Authority expects that the terms of the proposed restructured note will include the principal amount of \$9,900,000 and will be for a term of thirty years. Payments of interest only shall be made quarterly at a rate of six percent per annum (6%) or such other interest rate as equals the current value of funds to the U.S. Treasury at the time of closing. Interest will be due beginning on October 9, 1992 in the sum of \$148,500 and a like amount quarterly thereafter to and including July 9, 2022. The \$9,900,000 principal shall be due as a balloon payment at the end of the thirty-year term but may be prepaid, in whole or in part at anytime without penalty. The Authority believes that the restructured note agreement will be finalized by December 31, 1992.

The Authority is currently working with the designated developer for the Custom House to obtain financing arrangements for a proposed hotel complex and expects to finalize these arrangements by March 31, 1993. The Authority along with the designated developer has made significant progress on various predevelopment activities such as obtaining necessary project permits and approvals from the various federal, state and city agencies.

As of September 30, 1991, the Authority has recorded a provision of \$4,472,250 to reduce the carrying value of the Custom House project based on the current status of the project and related financing initiatives.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, September 30, <u>1990</u>	Current Year Activity	Balances, September 30, <u>1991</u>
Furniture and fixtures	\$1,460,282		\$1,460,282
Vehicles and maintenance equipment	61,999		61,999
Data processing equipment	<u>584,379</u>	<u>\$ 6,408</u>	<u>590,787</u>
	2,106,660	6,408	2,113,068
Less accumulated depreciation and amortization	<u>(1,401,777)</u>	<u>(326,398)</u>	<u>(1,728,175)</u>
Fixed assets, net	<u>\$ 704,883</u>	<u>\$(319,990)</u>	<u>\$ 384,893</u>

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1991 consist of (see Note J):

Furniture, fixtures and equipment	\$934,660
Less accumulated amortization	<u>(709,179)</u>
Leased fixed assets, net of amortization	<u>\$225,481</u>

J. Commitments:

At September 30, 1991, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately \$2,995,000.

The Authority leases office space located in the Charlestown Navy Yard through June 1992. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under this lease as of September 30, 1991 are \$675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1991:

Fiscal year ending September 30,

1992	\$159,459
1993	79,507
1994	<u>39,231</u>
Total lease payments	278,197
Less amount representing interest	<u>25,569</u>
Present value of future minimum lease payments	<u>\$252,628</u>

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of \$527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established, and maintains, restrictive bank accounts totaling \$2,118,151, which can be used by the insurance companies in the event of default or challenge by the developers (see Note O).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1990 are as follows:

	September 30, <u>1990</u>	<u>Additions</u>	<u>Reductions</u>	September 30, <u>1991</u>
Vacation and sick leave	\$1,693,232	\$1,563,510	\$1,652,854	\$1,603,888

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1991, the Authority contributed and recorded as an expenditure in the Project Fund \$1,756,923. Also, the Authority employees contributed \$705,700 in fiscal 1991. The Authority's covered payroll for employees who participate in the System as of the June 30, 1991 actuarial valuation date was \$9,857,353. Total payroll for the Authority employees was \$10,488,285 for the 12 months ended June 30, 1991.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1991. The total pension obligation and net assets available for benefits applicable to the Authority's employees were \$17,221,000 and \$9,882,000 at June 30, 1991, respectively. The Authority's actuarial pension expense consisted of \$119,371 employer normal cost and \$942,307 amortization of the unfunded actuarial liability. At June 30, 1991, the unfunded pension benefit obligation was \$5,518,000, determined as follows:

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them

\$ 5,378,000

Current employees:

Employee financed

5,869,000

Employer financed - vested

2,666,000

Employer financed - nonvested

1,487,000

COLA benefits reimbursable by The Commonwealth of Massachusetts

1,821,000

Total pension benefit obligation

17,221,000

Net assets available for benefits

9,882,000

Unfunded pension benefit obligation

7,339,000

Effect of COLA

1,821,000

Unfunded pension benefit obligation,
net of COLA

\$ 5,518,000

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) a cost of living increase of 3% annually applicable to the first \$9,000 of annual benefit, and (4) removal of the \$30,000 compensation cap.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is as follows:

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) + (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) + (5)
1991	\$9,882,000	\$15,400,000	64%	\$5,518,000	\$ 9,857,353	56%
1990	9,267,000	15,312,000	61%	6,045,000	10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information prior to 1988 is not available.

N. Deferred Revenue:

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1991 the Authority entered into or finalized negotiations on several land disposition transactions which resulted in an additional \$9,700,000 of deferred revenue. Further, during fiscal year 1991, the Authority realized approximately \$16,000 which had previously been recorded as deferred revenue. Total deferred revenue as of September 30, 1991 is \$16,438,316 which is expected to be realized in subsequent years either upon due dates or in some instances upon the achievement of certain milestones.

O. Designation of Project Fund Balance:

During fiscal years 1989 through 1991, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1991 are as follows:

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

<u>Program</u>	<u>September 30,</u> <u>1990</u>	<u>1991</u> <u>Designation</u>	<u>1991</u> <u>Disbursements</u>	<u>September 30,</u> <u>1991</u>
Neighborhood Housing Fund	\$ 248,016			\$ 248,016
Escrow Linkage Fund	2,118,151			2,118,151
City of Boston, Public Works Dept.	<u>-</u>	<u>\$900,000</u>	<u>\$450,000</u>	<u>450,000</u>
Total	<u>\$2,366,167</u>	<u>\$900,000</u>	<u>\$450,000</u>	<u>\$2,816,167</u>

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. As of September 30, 1991, the Board has designated an aggregate amount of \$1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. As of September 30, 1991, \$248,016 of this has yet to be disbursed for Neighborhood Housing Projects.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of \$2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of \$13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This \$13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at \$13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$1,307,735 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

An escrow account in the amount of \$50,000 has been reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America has loaned cash against two DIP agreements valued at \$5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$460,416 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 has been specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

A \$250,000 litigation reserve escrow account has been established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

At September 30, 1991, the Authority has escrow accounts relating to these agreements amounting to \$2,118,151. See Note C.

Urban Renewal Project Assistance

On June 27, 1991, the Board of Directors authorized the Authority to designate \$900,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. \$450,000 was paid in fiscal year 1991.

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

Q. Restructuring Costs:

On March 29, 1990 the Authority Board voted to authorize the Voluntary Retirement Bonus Program of 25% of annual base pay for eligible employees. Payments were made under this Voluntary Retirement Program to ten employees and amounted to \$85,162 during fiscal 1991. Subsequently, on March 14, 1991 the Authority approved a Voluntary Termination Bonus Program to all full-time employees who had been employed with the Authority for at least one year. This Voluntary Termination Bonus Program began on March 15, 1991. Employees who resigned voluntarily were granted a cash bonus of \$6,000. Thirty-four employees accepted the Bonus which resulted in a one time expenditure, including accrued benefits, of \$404,925. Both of these Programs totaling \$490,087, were modeled after Programs implemented by the City of Boston.

GOVDOC

BRA

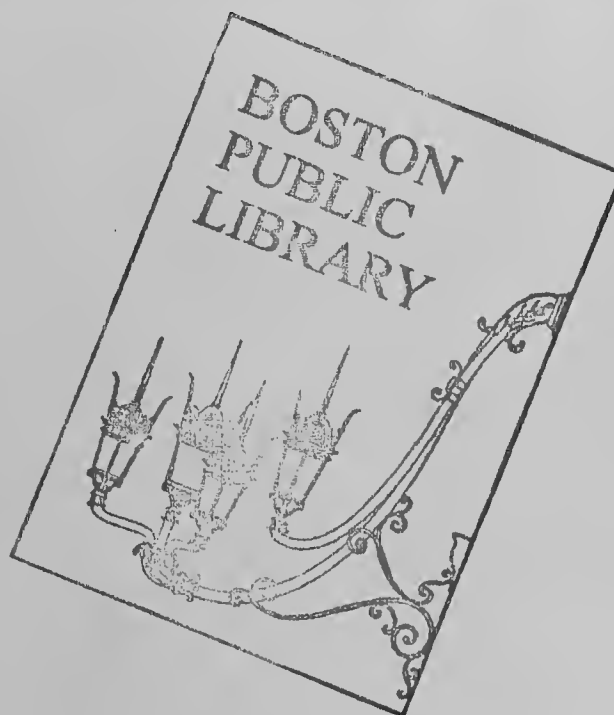
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1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1992



BOSTON REDEVELOPMENT AUTHORITY
COMBINED FINANCIAL STATEMENTS
for the year ended September 30, 1992

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1992 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in Note H to the financial statements, the Authority is currently in default on its note payable to the General Services Administration (GSA) related to the acquisition of the Custom House Tower. The Authority is attempting to resume negotiations with the GSA to restructure the terms of the note and to cure the default. Management of the Authority believes the restructuring of the note on the terms proposed by the Authority is necessary to resume negotiations with the designated developer and for the developer to obtain financing arrangements for the proposed Custom House Tower hotel complex. To the extent that the Authority cannot procure funding by the resale of the property and/or the GSA declares the note immediately due and payable, it is the opinion of the Authority's management and its outside counsel that it is probable that the City of Boston is ultimately responsible for the GSA debt under certain agreements between the Authority and the City. The ultimate outcome of the negotiations with the GSA, the finalization of financing arrangements related to the development of the Custom House Tower and the amount of financial resources to be received from the City of Boston related to this development cannot currently be determined.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1992 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts
April 2, 1993, except for
Note T, as to which the
date is June 7, 1993, and
Note H, as to which the
date is November 12, 1993.

Coopers & Lybrand

BOSTON REDEVELOPMENT AUTHORITY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1992

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups		Interfund Eliminations	Combined Total (Memorandum Only)
				General Fixed Assets	General Long-Term Obligations		
Investments (Note C)	\$1,029,280	\$3,078,842	\$ 1,761,332				\$ 5,869,454
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of \$475,365)	26,482	28,195	164,123				218,800
Billed and unbilled amounts due from federal, state and city (Notes F and K)		104,626	807,725				912,351
Accounts receivable disposition of develop- ment sites (Note N)			20,195,150				20,195,150
Due from other funds	2,231,880	378,433				\$(2,610,313)	-
Notes receivable/Housing Developments (net of allowance for bad debts of \$204,000) (Notes G and O)		14,250,661	518,343				14,769,004
Notes receivable/UDAG and HDAG (Note G)		24,506,227					24,506,227
Property held for development less reserves (Note H)			9,900,000				9,900,000
Fixed assets, net (Note I)				\$142,271			142,271
Other assets	113,856						113,856
Amounts to be provided for retirement of general long-term obligations					\$1,713,606		1,713,606
Total assets	\$3,401,498	\$42,346,984	\$35,464,824	\$142,271	\$1,713,606	\$(2,610,313)	\$80,458,870
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	1,455,991						1,455,991
Advances on contracts			862,794				862,794
Due to other funds		612,033	1,998,280			(2,610,313)	-
Retainage			229,239				229,239
Deposits (Note D)	182,771		111,103				293,874
Obligations under capitalized leases (Note J)					110,554		110,554
Vacation and sick leave (Note L)					1,603,052		1,603,052
Accrued liabilities (Note E)	29,610		2,601,633				2,631,243
Other (Notes K and R)			1,571,736				1,571,736
Deferred revenue (Note N)			17,685,098				17,685,098
Due to designated entities		15,455,347	504,941				15,960,288
Due to UDAG recipients		26,279,604					26,279,604
Total liabilities	1,668,372	42,346,984	35,464,824	-	1,713,606	(2,610,313)	78,583,473
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				142,271			142,271
Fund balances:							
Designated for vacation and sick leave (Note L)	1,603,052						1,603,052
Designated for obligations under capitalized leases (Note J)	110,554						110,554
Designated for Neighborhood Housing Fund (Note O)							
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for City of Boston, Public Works Department (Note O)							
Designated for projects							
Undesignated	19,520						19,520
Fund deficit (Note S)			(2,118,151)				(2,118,151)
Total other credit and fund balances	1,733,126	-	-	142,271	-	-	1,875,397
Total liabilities, other credit and fund balances	\$3,401,498	\$42,346,984	\$35,464,824	\$142,271	\$1,713,606	\$(2,610,313)	\$80,458,870

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES
AND CHANGES IN FUND BALANCES

for the year ended September 30, 1992

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city capital grants		\$ 1,786,750	\$ 1,786,750
Proceeds from disposition of development sites (Note B)		6,608,237	6,608,237
Rental income (Note B)		1,320,910	1,320,910
Interest income		730,943	730,943
Other	\$ 8,368	182,461	190,829
Total revenues	8,368	10,629,301	10,637,669
Expenditures:			
Personnel		8,920,144	8,920,144
Fringe		2,610,761	2,610,761
Capital outlays		1,846,152	1,846,152
Supplies and services		2,591,562	2,591,562
Contractual services		1,416,297	1,416,297
Occupancy costs		1,067,646	1,067,646
Restructuring costs (Note Q)		630,826	630,826
Interest expense - Custom House (Note H)		1,282,000	1,282,000
Total expenditures	-	20,365,388	20,365,388
Excess of revenues over/(under) expenditures	8,368	(9,736,087)	(9,727,719)
Other financing sources (uses):			
Operating transfer (Note S)	(1,683,118)	1,683,118	-
Other credit (Note O):			
Neighborhood Housing Fund		214,893	214,893
Excess of revenues over/(under) expenditures and other financing sources/uses and other credit	(1,674,750)	(7,838,076)	(9,512,826)
Fund balances, September 30, 1991	3,407,876	7,838,076	11,245,952
Fund balances, September 30, 1992	\$1,733,126	-	\$ 1,733,126

The accompanying notes are an integral part
of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1992

	Balance, September 30, 1991	Additions	Deductions	Balance, September 30, 1992
ASSETS				
Investments	\$ 3,549,357			
Accounts receivable	74,438	\$ 5,254,104	\$5,724,619	\$ 3,078,842
Billed amounts due from federal, state and city	108,697	13,795	60,038	28,195
Unbilled amounts due from federal, state and city	-	1,282,228	1,286,860	104,065
Due from other funds	566,697	98,125	97,564	561
Notes receivable	30,748,904	84,095	272,359	378,433
		8,692,744	684,760	38,756,888
Total assets	<u>\$35,048,093</u>	<u>\$15,425,091</u>	<u>\$ 8,126,200</u>	<u>\$42,346,984</u>
LIABILITIES				
Due to other funds	658,384	2,359,456	2,405,807	612,033
Retainage	4,205	3,832	8,037	-
Due to designated entities	34,385,504	9,205,911	1,856,464	41,734,951
Total liabilities	<u>\$35,048,093</u>	<u>\$11,569,199</u>	<u>\$ 4,270,308</u>	<u>\$42,346,984</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project Funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Rental income received on long-term leases of approximately \$2,185,000 is included as Proceeds from disposition of development sites. Rental income from Authority owned and operated property is reflected as Rental income.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1992 was \$8,020,488.

At September 30, 1992, \$7,680,579 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and \$307,026 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash of \$2,118,151 (see Note K), as of September 30, 1992 consist of:

<u>Type</u>	<u>Amortized Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$2,516,088	Various	
Certificates of Deposit	2,401,778	2.75% to 4.0%	10/30/92 to 12/28/92
U.S. Government Treasury Bills	299,408	2.9%	10/08/92
U.S. Government Agency	<u>2,755,898</u>	6.0% to 8.3%	1/25/93 to 8/15/93
Investments at cost	7,973,172		
Accrued interest receivable	<u>14,433</u>		
	<u>\$7,987,605</u>		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1992 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

E. Related Party Transactions:

During the year ended September 30, 1992, the federal, state and city government provided financial resources to the Authority, as follows:

(in thousands)

Neighborhood Development Fund (included in Agency Funds)	\$1,282
City capital appropriations	1,194
Community Development Action Grants (CDAG)	86
Boston Water and Sewer Commission	221
Department of Environmental Management	154
Other federal, state and city grants	<u>132</u>
	<u>\$3,069</u>

Certain of the office space of the Authority is provided by the City of Boston at no charge.

F. Billed and Unbilled Amounts Due from Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1992 is as follows:

	<u>Agency</u>	<u>Project</u>
Billed amounts due from federal, state and city	\$ 97,565	\$ 74,466
Unbilled amounts due from federal, state and city	7,061	409,259
Unbilled court award reimbursements due from city	<u> </u>	<u>324,000</u>
	<u>\$104,626</u>	<u>\$807,725</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of \$227,855 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1992.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City \$324,000 as of September 30, 1992, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for \$11,000,000. The BRA purchased this property in its capacity as a redevelopment authority acting pursuant to M.G.L. c.121B as well as Title I of the National Housing Act of 1949, 42 USC 1441-1450, et. seq. The Custom Tower is part of the Downtown Waterfront - Faneuil Hall Urban Renewal Project. The BRA took title to the Custom House Tower as the agent for the City. It was understood by the GSA at the time of purchase that the structure would not be held by the BRA in its own right as its own property but would be reconveyed to a private redeveloper to redevelop and preserve this historic structure in accord with federal and state urban renewal law.

As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of \$9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

interest only in quarterly installments of \$272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of \$650,150 for the period January 1993 to October 1997.

On April 23, 1992, the General Services Administration (GSA) notified the Authority as to their agreement to restructure the loan to a 30 year term at an interest rate equal to the current value of funds to the U.S. Treasury at the time of closing. The GSA's notification stated that at the project's financing closing or no later than December 31, 1992, whichever is earlier, the Authority will also pay to the GSA a lump sum of \$1,050,000 and that the \$9,900,000 principal will be paid as a balloon payment at the end of the 30 year term. However, in July 1992, the Authority proposed additional revisions to the terms of the note to the GSA including the timing of the \$1,050,000 lump sum payment; giving non-recourse status to the note and giving the note co-equal status with the project's construction financing. The GSA notified the Authority in December 1992 that the inclusion of those proposed additional terms was unacceptable and accordingly, the restructuring of the note was not completed in 1992.

During 1993, there has been further correspondence between the Authority and the GSA in an attempt by the parties to reach an agreement on the specific terms of a revised mortgage note. In May 1993, the GSA expressed a willingness to discuss the interest rate with the Authority and to consider the prevailing rates at the time of the restructured closing and further expressed a willingness to discuss the timing of payments and would consider payment schedules addressing both the needs of the Authority and the redevelopment project; provided however, that the net present value of the original transaction is maintained. Management is attempting to resume negotiations on the restructuring of the note with the GSA.

In December 1990, the Authority designated a developer of the Custom House Tower and entered into a lease commencement agreement with the designated developer at that time. The designated developer and the Authority have extended the dates relating to this lease commencement agreement. If the ground lease and public improvements are not agreed upon by December 1, 1993, then either party may terminate the agreement and the designated developer may be entitled to a refund of amounts previously paid to the Authority of \$250,000. The management of the Authority believes the restructuring of the note is necessary in order to resume negotiations with the designated developer for the Custom House and for the developer to obtain financing arrangements for the proposed Custom House Tower hotel complex.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority has not made any interest payments on the GSA note since January 1991. In fiscal 1992, interest on the existing GSA note of \$1,089,000 and estimated penalties of \$193,000 which was due and payable in fiscal year 1992 was charged to project funds. Total unpaid interest and estimated penalties of \$1,905,750 and \$193,000 respectively, are included in accrued liabilities as of September 30, 1992. In addition, principal, interest and penalties due under the existing note for fiscal 1993 have not been paid to the GSA. Although the Authority is in default under the existing note and the GSA may exercise its right under the agreement to declare the note immediately due and payable, at present, the GSA has not declared the note immediately due.

The ultimate outcome of the negotiations with the GSA and the finalization of financing arrangements related to the development of the Custom House cannot currently be determined. To the extent that the Authority cannot procure funding by the resale of this property and/or the GSA declares the note immediately due and payable, it is the opinion of the Authority's management and its outside counsel that it is probable that the City of Boston is ultimately responsible for the GSA debt in accordance with the Cooperative Agreement between the City of Boston and the Authority dated June 24, 1964 and the Financial Settlement Agreement between the Authority, City of Boston and Department of Housing and Urban Development dated June 23, 1978, both related to the Downtown Waterfront - Faneuil Hall Urban Renewal Project. At September 30, 1992 the Authority has reflected the investment in the Custom House Tower project at \$9,900,000 which in management's opinion, will be recovered upon the disposition of the Custom House Tower.

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, September 30, 1991	Current Year Activity	Balances, September 30, 1992
Furniture and fixtures	\$1,460,282	\$ (2,762)	\$1,457,520
Vehicles and maintenance equipment	61,999		61,999
Data processing equipment	<u>590,787</u>	<u>13,034</u>	<u>603,821</u>
	2,113,068	10,272	2,123,340
Less accumulated depreciation and amortization	<u>(1,728,175)</u>	<u>(252,894)</u>	<u>(1,981,069)</u>
Fixed assets, net	<u>\$ 384,893</u>	<u>\$ (242,622)</u>	<u>\$ 142,271</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1992 consist of (see Note J):

Furniture, fixtures and equipment	\$934,660
Less accumulated amortization	<u>(843,947)</u>
Leased fixed assets, net of amortization	<u>\$ 90,713</u>

J. Commitments:

At September 30, 1992, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately \$5,788,178.

The Authority leases office space located in the Charlestown Navy Yard through June 1993. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under this lease as of September 30, 1992 are \$317,824 for fiscal year 1993.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1992:

Fiscal year ending September 30,

1993	\$ 79,507
1994	<u>39,231</u>
Total lease payments	118,738
Less amount representing interest	<u>8,184</u>
Present value of future minimum lease payments	<u>\$110,554</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of \$527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established, and maintains, restrictive bank accounts totaling \$2,118,151, which can be used by the insurance companies in the event of default or challenge by the developers (see Note O).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1992 are as follows:

	<u>September 30,</u> <u>1991</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30,</u> <u>1992</u>
Vacation and sick leave	\$1,603,888	\$1,465,141	\$1,465,977	\$1,603,052

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1992, the Authority contributed and recorded as an expenditure in the Project Fund \$1,514,291. Also, the Authority employees contributed \$616,089 in fiscal 1992. The Authority's covered payroll for employees who participate in the System as of the June 30, 1992 actuarial valuation date was \$9,826,399. Total payroll for the Authority employees was \$9,922,805 for the 12 months ended June 30, 1992.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1992. The total pension obligation and net assets available for benefits applicable to the Authority's employees were \$18,750,000 and \$12,433,000 at June 30, 1992, respectively. The Authority's actuarial pension expense consisted of \$125,000 employer normal cost and \$893,000 amortization of the unfunded actuarial liability. At June 30, 1992, the unfunded pension benefit obligation for the Authority was \$4,507,000, determined as follows:

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 5,689,000
Current employees:	
Employee financed	6,858,000
Employer financed - vested	2,820,000
Employer financed - nonvested	1,573,000
COLA benefits reimbursable by The Commonwealth of Massachusetts	<u>1,810,000</u>
Total pension benefit obligation	18,750,000
Net assets available for benefits	<u>12,433,000</u>
Unfunded pension benefit obligation	6,317,000
Effect of COLA	<u>1,810,000</u>
Unfunded pension benefit obligation, net of COLA	<u>\$ 4,507,000</u>

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8% a year compounded annually, (2) projected salary increases of 5.5% a year compounded annually, attributed to inflation, and seniority/merit, and (3) a cost of living increase of 3% annually applicable to the first \$9,000 of annual benefit.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is as follows:

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) -: (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) -: (5)
1992	\$12,433,000	\$16,940,000	73%	\$4,507,000	\$9,826,399	46%
1991	9,882,000	15,400,000	64%	5,518,000	9,857,353	56%
1990	9,267,000	15,312,000	61%	6,045,000	10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information prior to 1988 is not available.

N. Deferred Revenue:

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1992 the Authority entered into or finalized negotiations on several land disposition transactions which resulted in an additional \$3,381,000 of deferred revenue. Further, during fiscal year 1992, the Authority realized approximately \$481,000 and reversed approximately \$1,653,000 which had previously been recorded as deferred revenue. Total deferred revenue as of September 30, 1992 is \$17,685,098 which is expected to be realized in subsequent years either upon due dates or in some instances upon the achievement of certain milestones.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

O. Designation of Project Fund Balance:

During fiscal years 1989 through 1992, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1992 are as follows:

<u>Program</u>	<u>September 30, 1991</u>	<u>1992 De-Designation</u>	<u>September 30, 1992</u>
Neighborhood Housing Fund	\$ 248,016	\$ (248,016)	
Escrow Linkage Fund	2,118,151		\$2,118,151
City of Boston, Public Works Dept.	<u>450,000</u>	<u>(450,000)</u>	<u>-</u>
Total	<u>\$2,816,167</u>	<u>\$ (698,016)</u>	<u>\$2,118,151</u>

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. Since inception, the Board has designated an aggregate amount of \$1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. Of this designation, \$1,561,984 has been disbursed to the Neighborhood Housing Fund and \$248,016 remains as a future disbursement. As of September 30, 1992, the Board de-designated the balance of \$248,016 and further authorized that the repayment of loans to the Neighborhood Housing Fund be used first to reimburse the Authority's fund balance for its contribution.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of \$2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of \$13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

creation. This \$13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at \$13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$1,307,735 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 has been reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America has loaned cash against two DIP agreements valued at \$5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

An escrow account in the amount of \$460,416 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 has been specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

A \$250,000 litigation reserve escrow account has been established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

At September 30, 1992, the Authority has escrow accounts relating to these agreements amounting to \$2,118,151. See Note C.

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BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

In March 1993, the Executive Committee of the City of Boston's Neighborhood Development Fund (NDF) approved and authorized the disbursement of \$2,183,751 (being the aggregate of the Authority's contribution and any accrued interest or investment proceeds as of March 1, 1993) from the NDF through the Public Facilities Department of the City of Boston to the Authority. The \$2,183,751 was received by the Authority on March 31, 1993. The substitution of NDF funds for Authority funds releases the designation of project fund balance. In addition upon the expiration of the escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America the escrow amounts with accrued interest will be returned to the NDF.

Urban Renewal Project Assistance

On June 27, 1991, the Board of Directors authorized the Authority to designate \$900,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. \$450,000 was paid in fiscal year 1991. The balance of \$450,000 was de-designated by the Board of Directors in fiscal year 1992.

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Q. Restructuring Costs:

During fiscal year 1992, the Authority offered a voluntary termination program where employees who resigned voluntarily were granted an additional three months salary. Twenty-eight employees accepted the voluntary termination program which resulted in a one-time expenditure, including accrued benefits of \$504,079. In addition the Authority expended \$126,747 for unemployment compensation based on previous employee terminations.

R. Rent Prepayment:

In fiscal 1992 a tenant under an 80-year ground lease agreed to prepay rent for a period of seven years. The present value prepayment amounted to \$2,243,213. The balance included in other liabilities at September 30, 1992 is \$1,044,036. The remaining payment of \$1,118,213 was received on October 16, 1992. Revenue will be recognized on a straight-line basis over the seven year period. After the seven-year period the Authority would continue to receive the full monthly rent as required by the terms of the original ground lease.

S. Project Fund Deficit

In fiscal 1992, an operating transfer of \$1,683,118 was made from the General Fund to the Project Fund in order to fund the Project Fund's deficit. The deficit is considered temporary by management and the Project Fund is expected to transfer excess revenues from its operations to the General Fund in subsequent years until the transfer is fully reimbursed to the General Fund.

T. Subsequent Event:

On April 29, 1993 the Walsh Commission Report entitled "The Boston Advantage" recommended that the City restructure the development agencies of the Boston Redevelopment Authority (BRA) and the Economic Development and Industrial Corporation of Boston (EDIC) to increase its effectiveness in attracting, supporting, and managing new development investment, to clarify roles, and to reduce duplication.

The EDIC and BRA Boards approved a Management Agreement on May 19, 1993 and May 27, 1993, respectively. The Management Agreement is for a term of three years, effective as of June 7, 1993, with either party having the option to terminate the Agreement within

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

thirty (30) days. Under this Management Agreement the BRA shall manage all projects related to EDIC in the areas of Administration and Finance, Operations, Economic Development, Policy and Staff Operations and Jobs and Community Services. In consideration of the services provided, EDIC shall pay monthly to the BRA a reasonable management fee based on the time spent by BRA employees to manage EDIC projects and the out-of-pocket costs incurred by the BRA in accordance with established EDIC policies.

